

Monotype Imaging Holdings Inc.
Form DEF 14A
April 11, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

MONOTYPE IMAGING HOLDINGS INC.

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 11, 2011

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders (the Annual Meeting) of Monotype Imaging Holdings Inc. (the Company) to be held at 8:00 a.m., local time, on Friday, May 13, 2011 at the Marriott Courtyard, 700 Unicorn Park Drive, Woburn, MA 01801.

At this Annual Meeting, the agenda includes:

1. The election of three Class II directors for three-year terms;
2. An advisory vote on the Company s executive compensation;
3. An advisory vote on the frequency of holding future advisory votes on the Company s executive compensation;
4. Approval of the Company s Amended and Restated 2007 Stock Option and Incentive Plan, which amends the Company s existing plan, including an increase in the number of shares authorized for issuance by 2,000,000 shares;
5. Ratification of the audit committee s appointment of Ernst & Young LLP as the Company s independent auditors for 2011; and
6. To consider and vote upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Details regarding the matters to be acted upon at this Annual Meeting appear in the accompanying Proxy Statement. Please give this material your careful attention.

If you are a stockholder of record, please vote in one of the following three ways whether or not you plan to attend the Annual Meeting: (1) by completing, signing and dating the accompanying proxy card and returning it in the enclosed postage-prepaid envelope, (2) by completing your proxy using the toll-free telephone number listed on the proxy card, or (3) by completing your proxy on the Internet by following the instructions on your proxy card. It is important that your shares be voted whether or not you attend the meeting in person. Votes made by phone or on the Internet must be received by 11:59 p.m., local time, on May 12, 2011. If you attend the Annual Meeting, you may vote in person even if you have previously returned your proxy card or completed your proxy by phone or on the Internet. Your prompt cooperation is greatly appreciated.

Very truly yours,

Douglas J. Shaw

President and Chief Executive Officer

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500 Unicorn Park Drive

Woburn, Massachusetts 01801

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 13, 2011

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of Stockholders (the "Annual Meeting") of Monotype Imaging Holdings Inc., a Delaware corporation (the "Company"), will be held on May 13, 2011, at 8:00 a.m. local time at the Marriott Courtyard, 700 Unicorn Park Drive, Woburn, MA 01801, for the following purposes:

1. To elect three Class II directors nominated by the board of directors to serve until the 2014 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified or until their earlier resignation or removal from among the following nominees: Robert L. Lentz, Douglas J. Shaw and Peter J. Simone;
2. To hold an advisory vote on the Company's executive compensation;
3. To hold an advisory vote on the frequency of holding future advisory votes on the Company's executive compensation;
4. To approve the Company's Amended and Restated 2007 Stock Option and Incentive Plan, which amends the Company's existing plan, including an increase in the number of shares authorized for issuance by 2,000,000 shares;
5. To ratify the audit committee's appointment of Ernst & Young LLP as the Company's independent auditors for 2011; and
6. To consider and vote upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Any action may be taken on the foregoing matters at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later postponement or adjournment, the Annual Meeting may be postponed or adjourned.

The board of directors has fixed the close of business on March 24, 2011 as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting and at any postponements or adjournments thereof. Only holders of record of the Company's Common Stock, par value \$0.001 per share (the "Common Stock"), at that time will be entitled to receive notice of and to vote at the Annual Meeting and at any postponements or adjournments thereof.

You are requested to authorize a proxy to vote your shares by filling in and signing the enclosed proxy card, which is being solicited by the board of directors, and by mailing it promptly in the enclosed postage-prepaid envelope. You may also authorize a proxy to vote your shares by telephone or over the Internet by following the instructions on your proxy card. Votes made by phone or on the Internet must be received by 11:59 p.m., local time, on May 12, 2011. Any proxy delivered by a holder of Common Stock may be revoked by a writing delivered to the Company stating that the proxy is revoked or by delivery of a properly executed, later dated proxy. Holders of record of Common Stock who attend the Annual Meeting may vote in person, even if they have previously delivered a signed proxy or authorized a proxy by telephone or over the Internet, but the presence (without further action) of a stockholder at the Annual Meeting will not constitute revocation of a previously delivered proxy.

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By Order of the Board of Directors,

Janet M. Dunlap

Vice President, General Counsel and Secretary

Woburn, Massachusetts

April 11, 2011

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Proxy Statement

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MONOTYPE IMAGING HOLDINGS INC.

2011 PROXY SUMMARY

This summary does not contain all of the information that you should consider. You should read the entire Proxy Statement carefully before voting.

Annual Meeting of Stockholders (the Annual Meeting)

Time and Date	8:00 a.m., Friday, May 13, 2011 (including any postponements or adjournments)
Place	Marriott Courtyard, 700 Unicorn Park Drive, Woburn, MA 01801
Record Date	March 24, 2011
Shares Entitled to Vote	35,630,426
Voting	Each share of our common stock (our Common Stock) is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.

What is Included in this Proxy Statement?

	Beginning on
Information about certain of our stockholders specifically any person or entity that beneficially owns more than five percent of our Common Stock, our directors, and certain members of our management team	Page 6
Information about our executive management team, including biographies	Page 8
Information on each of the proposals that you are being asked to consider at the Annual Meeting, each of which is summarized below	Page 11
Information related to our Audit Committee	Page 60
Information related to the solicitation of proxies	Page 61
Information on how proposals may be submitted for consideration by our stockholders at our 2012 annual meeting of stockholders	Page 61

What Proposals will be Voted on at the Annual Meeting?

You will be asked to consider the proposals described below and any other business that properly comes before the Annual Meeting.

Election of Directors (Proposal One): We are asking our stockholders to elect Robert L. Lentz, Douglas J. Shaw and Peter J. Simone (the Nominees) as Class II directors of the Company to serve until the 2014 Annual Meeting of Stockholders until their respective successors are duly elected and qualified or until their earlier resignation or removal.

Mr. Lentz has served as a member of our board of directors since August 2008. He is a member of our audit committee and joined our management development and compensation committee in March 2011.

Mr. Shaw has served as our President and Chief Executive Officer since January 2007 and a member of our board of directors since November 2004. Mr. Shaw co-founded our business as the Font Technologies division of Compugraphic Corp. in October 1986.

Mr. Simone has served as a member of our board of directors since March 2006. He is the chairman of our audit committee and a member of our nominating and corporate governance committee.

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Full biographical information for the Nominees can be found beginning on page 12.

Executive Compensation and Equity (Proposals Two, Three and Four):

Advisory Vote on Executive Compensation

We are asking our stockholders to approve on an advisory basis our 2010 executive officer compensation. The board believes that our compensation policies and practices are effective in achieving our goals of rewarding both short- and long-term performance. Our base salaries and cash bonuses reward short-term Company financial performance and the satisfaction of an executive officer's individual personal performance objectives, while our equity awards, mainly in the form of nonqualified stock options and restricted stock, reward long-term Company performance and align the interests of management with those of our stockholders.

Frequency of Advisory Vote on Executive Compensation

The board also recommends that stockholders vote in favor of holding an annual advisory vote on executive compensation in order to provide the board with regular feedback on the company's executive compensation programs. Complete information regarding our 2010 executive compensation can be found beginning on page 23.

Summary of 2010 Compensation Decisions

December 2009 Our management development and compensation committee determined that there would be no increases in base salary for our executive officers, including our president and chief executive officer, as the Company's full year revenue and non-GAAP net adjusted EBITDA⁽¹⁾ for 2009 were down on a year-on-year basis. The committee agreed that it would reconsider non-retroactive base salary increases midway through 2010, depending on the Company's financial performance.

December 2009 Our board of directors approved our 2010 internal Company-wide financial goals:

- ; \$103.1 million of revenue, which was a new goal for 2010, and
- ; \$43.2 million of full year non-GAAP net adjusted EBITDA.

March 2010 Our management development and compensation committee adopted our 2010 executive incentive compensation plan (the 2010 Compensation Plan) which provided that no payments would be made to our executive officers if the Company did not achieve at least 90% of the revenue or non-GAAP net adjusted EBITDA goal established by the board of directors. The revenue metric was a new addition for 2010 because the committee considered the Company's ability to grow revenue while maintaining or improving profitability margins to be as important as net adjusted EBITDA and therefore the metrics were equally weighted under the plan. Individual cash incentive compensation payment targets as a percentage of base salary for our executive officers were set as:

- ; President and chief executive officer 60%
- ; Chief financial officer 45%
- ; Executive vice president 50%
- ; All other executive officers 30%-40%

⁽¹⁾ We define net adjusted EBITDA as operating income as defined under generally accepted accounting principles (GAAP) adding back share-based compensation, depreciation and amortization expenses.

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March 2010 Our management development and compensation committee awarded non-qualified stock options and restricted stock to our executive officers. Approximately three quarters of each equity grant was issued in the form of non-qualified stock options and approximately one quarter was issued in the form of restricted stock. These awards vest over a four-year period.

July 2010 As indicated in December 2009, our management development and compensation committee reconsidered base salary increases for our executive officers. It was determined that the Company's performance was improving and showing a reversal of the negative trends of 2009. Therefore, it was decided to approve non-retroactive increases to our executive officers effective July 1, 2010.

As the Company was not a publicly traded entity prior to July 2007, our president and chief executive officer's cash compensation was significantly below the compensation appropriate for the chief executive officer of a publicly traded company. In 2008, our management development and compensation committee conducted an overall compensation review of our executive officers, including a benchmark against a peer group of companies where it was determined that our president and chief executive officer's cash compensation fell significantly below the 50th percentile of our peer group. As a result of that review the committee determined that a multi-year goal to raise the salary of our president and chief executive officer to the 50th percentile of our peer group companies, as illustrated in the table on page 35 of this Proxy Statement, was appropriate. In furtherance of that goal, the committee approved a 2010 base salary increase for our president and chief executive officer of 8.1%.

October 2010 Our board of directors implemented equity ownership guidelines for our president and chief executive officer.

February 2011 Our management development and compensation committee approved cash incentive compensation payments to our executive officers under our 2010 Compensation Plan based on the following considerations:

- i Our total revenue for the full year 2010 was \$106.7 million, an increase of 13% over 2009 and 103.5% of our internal goal.
- i Our 2010 non-GAAP net adjusted EBITDA was \$47.8 million or 45 % of revenue, compared to non-GAAP net adjusted EBITDA of \$41.0 million or 44 % of revenue for the prior year and 111% of our internal goal.
- i Our executive officers, including our president and chief executive officer, substantially achieved their individual performance objectives.

Amended and Restated Stock Plan

We are asking our stockholders to approve the Company's Amended and Restated 2007 Stock Option and Incentive Plan (the Amended and Restated 2007 Plan), which amends and restates the Company's existing plan, including an amendment to increase the number of shares authorized for issuance by 2,000,000. Beginning on page 53, you will find a summary of the Amended and Restated 2007 Plan, information on all of the Company's equity plans, and why the Company believes the approval of this plan is appropriate for the Company and its stockholders.

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Ratification of Independent Auditors (Proposal Five): We are asking our stockholders to ratify the audit committee's appointment of Ernst & Young LLP as the Company's independent auditors for 2011. Beginning on page 59, you will find our audit committee report, information on audit services provided by Ernst & Young LLP for the years ended December 31, 2009 and December 31, 2010, fees paid, and information regarding the approval of non-audit services.

How does the Board of Directors Recommend I Vote?

Proposal One	FOR all director Nominees
Proposal Two	FOR the approval of the Company's 2010 executive compensation
Proposal Three	For an ANNUAL advisory vote on executive compensation
Proposal Four	FOR the approval of the Company's Amended and Restated 2007 Plan
Proposal Five	FOR the ratification of the appointment of the Company's 2011 auditors

How do I Vote my Shares of Common Stock?

Whether you hold shares directly as the stockholder of record or indirectly as the beneficial owner of shares held for you by a broker or other nominee (i.e., in street name), you may direct your vote without attending the Annual Meeting. You may vote by granting a proxy or, for shares you hold in street name, by submitting voting instructions to your broker or nominee. In most instances, you will be able to do this either over the Internet, by telephone or by mail. Please refer to the instructions included on your proxy card or, for shares you hold in street name, the voting instruction card provided by your broker or nominee.

The persons named as attorneys-in-fact in the proxy card, Douglas J. Shaw and Scott E. Landers, were selected by the board of directors and are officers of the Company. All properly executed proxies returned in time to be counted at the Annual Meeting will be voted by such persons at the Annual Meeting. If you return a properly signed proxy but do not mark your vote on any matter, the proxy will be voted **FOR** the proposals described in this Proxy Statement, including an **ANNUAL** advisory vote on executive compensation. It is not anticipated that any matters other than those set forth in the Proxy Statement will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in the discretion of the proxy holders.

What is a Broker Non-vote ?

A broker non-vote refers to a share of Common Stock represented at the Annual Meeting which is held by a broker or other nominee who has not received instructions from the beneficial owner or person entitled to vote such share where the broker or nominee does not have discretionary voting power to vote such share. If you hold shares of our Common Stock through a broker or other nominee (i.e. in street name), you must provide written instructions on how you want your shares to be voted on each individual matter being presented to you in this Proxy Statement. If you do not provide your broker or other nominee with voting instructions on each individual Proposal, and the Proposal is not considered a routine matter, then your broker or other nominee will not be able to vote your shares on your behalf on any non-routine proposal. Please note that Proposal One, Proposal Two, Proposal Three and Proposal Four are considered non-routine matters. It is very important that you provide written instructions on each individual proposal if you want your vote on these matters to be counted.

* * *

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The Company's 2011 Annual Report to Stockholders, including financial statements for the year ended December 31, 2010, is being mailed to stockholders concurrently with this Proxy Statement. The Annual Report, however, is not part of the proxy solicitation material.

A copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC), including all exhibits to such Annual Report, may be obtained free of charge by writing to Monotype Imaging Holdings Inc., 500 Unicorn Park Drive, Woburn, Massachusetts 01801, Attention: Chief Financial Officer or by accessing the Investor Relations section of the Company's website (www.monotypeimaging.com).

Table of Contents**STOCK OWNERSHIP AND OTHER INFORMATION****Security Ownership of Certain Beneficial Owners**

The following table contains information about beneficial ownership of the Company's Common Stock. The table lists persons or entities known to the Company to own, directly or indirectly, more than five percent of the Company's Common Stock as of December 31, 2010. The information below is based on publicly available filings on Form 13G filed with the SEC for the period ending December 31, 2010, and the percentage ownership calculations are based on 35,518,024 shares outstanding on March 1, 2011.

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
FMR, LLC 82 Devonshire St. Boston, MA 02109	5,248,690	14.8%
T. Rowe Price 100 E. Pratt St. Baltimore, MD 20202	2,881,887	8.1%
Times Square Capital Management 1177 Avenue of the Americas, 39 th Floor New York, NY 10036	2,074,646	5.8%
JPMorgan Chase & Co. 270 Park Ave. New York, NY 10017	1,842,682	5.2%

Security Ownership of Management

The following table contains information regarding beneficial ownership of the Company's Common Stock as of March 1, 2011 by: (i) all directors of the Company, (ii) all executive officers named in the Summary Compensation Table, and (iii) all directors and executive officers as a group. This information set forth below is based on representations made by each director and officer with respect to each of their beneficial ownership. The address of the listed stockholders is c/o Monotype Imaging Holdings Inc., 500 Unicorn Park Drive, Woburn, MA 01801.

Percentage ownership calculations are based on 35,518,024 shares outstanding as of March 1, 2011.

Name of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent (1)
Douglas J. Shaw (2)+	915,883	2.5%
Scott E. Landers (3)	145,266	*
John L. Seguin (4)+	193,402	*
David L. McCarthy (5)+	261,721	*
Steven R. Martin (6)+	126,322	*
Robert M. Givens (7)+	579,442	1.6%
A. Bruce Johnston	137,075	*
Roger J. Heinen Jr. (8)	76,090	*
Pamela F. Lenehan (9)	101,090	*
Robert L. Lentz	24,580	*
Peter J. Simone	37,607	*
All executive officers and directors as a group (17 persons) (10)	3,125,098	8.4%

* Represents less than 1% of the outstanding shares of Common Stock.

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- + The executive officer or director has implemented a 10b5-1 trading plan under which shares of the Company's Common Stock can be sold from time to time.
- (1) The total number of shares outstanding used in calculating the percentage ownership for any beneficial owner also includes options to purchase Common Stock held by the beneficial owner that are currently exercisable or will become exercisable within 60 days of March 1, 2011.
- (2) The amount includes 462,900 shares subject to options that are immediately exercisable or exercisable within 60 days of March 1, 2011.
- (3) The amount includes 2,000 shares of stock indirectly held by Mr. Landers in his children's names and 100,536 shares subject to options that are immediately exercisable or exercisable